

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Connect America Fund*, WC Docket No. 10-90, *High-Cost Universal Service Support*, WC Docket No. 05-337.

Under the old Universal Service Fund rules, smaller, rate-of-return carriers faced no overall limits on their spending. Even within HCLS, a part of USF that is capped overall, carriers that invested prudently lost out more and more every year — while those that spent the most controlled their own funding spigot, and could keep turning up the flow of USF dollars without limit. This created a perverse race to the top in spending. The Commission’s unanimous, once-in-a-generation overhaul of the Universal Service Fund finally put an end to this practice, establishing a framework for reasonable limits on reimbursement for individual carriers’ expenses as part of our overall push toward greater accountability, fiscal responsibility, and a market- and incentive-based framework. Following a careful, data-driven process involving dozens of stakeholder conversations, thorough statistical analysis, and peer review, the Wireline Bureau implemented a specific set of spending benchmarks.

Today we reject calls to reconsider our decision to set spending limits, or our decision to put in place a number of other important cost controls for rate-of-return carriers, while making some modest adjustments. These adjustments simplify the spending caps and give the Bureau greater flexibility to consider proposals to maintain certainty regarding year-to-year funding levels in 2015 and beyond, while protecting incentives for efficient spending.

Fiscal responsibility is hard work, and is requiring real adjustments for carriers and other stakeholders that had gotten used to a laxer system. That’s why we phased in changes and provided a fact-intensive waiver process. But it would have been irresponsible to go back on measures like the overall spending caps, or tougher limits on “corporate operations” expenses, as some have suggested. These measures are moving us toward an incentive-based system and finally helping protect the consumers and businesses that pay into the Fund. I thank the Bureau for their hard, ongoing, and excellent work implementing these controls and other parts of the *USF/ICC Transformation Order*. They and we will continue to work with all stakeholders as we move forward.